LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 7070 **DATE PREPARED:** Jan 14, 2001
BILL NUMBER: HB 2123 **BILL AMENDED:**

SUBJECT: Tax credit for brownfield program.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows a credit against state tax liability for certain voluntary environmental remediation costs. The credit is limited to $1 M statewide. The credit amount for each year shall be deducted from the Industrial Development Grant Fund and the Environmental Remediation Revolving Loan Fund Sub-account to replenish the State General Fund. The Department of Environmental Management (IDEM) shall share administrative duties with the Indiana Development Finance Authority (IDFA). No new tax credits are allowed for tax years beginning after December 31, 2003.

Effective Date: Upon passage; January 1, 2002.

Explanation of State Expenditures: IDEM and IDFA would be required to certify costs incurred in the voluntary remediation as qualified investments. IDEM would also determine that the credit is filed before the maximum amount of credits allowed is met. These provisions may result in additional administrative expenses for IDEM and IDFA. However, these expenses could probably be absorbed given the agencies' existing budgets.

The Department of State Revenue (DOR) would incur additional administrative expenses related to updating tax forms and monitoring the credit. Any costs associated with this proposal could be absorbed within the Department's current budget.

The bill does not make an appropriation for tax credits. However, if money is appropriated for tax credit purposes, it is to be placed in a subaccount of the Environmental Remediation Revolving Loan Fund. The DOR must report the total credits granted for each year to the IDFA. The IDFA must transfer to the State General Fund an amount equal to the total credits from the subaccount. If tax credits exceed the amount available in the subaccount, the tax credits are reduced to the amount available.

Before December 31 of each year, IDFA may assess the demand for tax credits and determine whether the need for other brownfield activities is greater than the need for tax credits. If IDFA determines that the need for other brownfield activities is greater than the need for tax credits, IDFA may set aside up to 3/4 of the amount allowable for tax credits for other brownfield projects.

Explanation of State Revenues: This bill allows a credit against state tax liability for certain voluntary environmental remediation costs. A taxpayer is eligible for a credit equal to 10% of the qualified investment made during the tax year. The tax credit may be taken against the taxpayer's tax liability for gross income tax, gross retail and use tax, adjusted gross income tax, bank tax, savings and loan association tax, financial institution's tax, and insurance premium tax. These taxes are deposited in the General Fund and the Property Tax Replacement Fund. The tax credit may not be carried back but may be carried forward up to five years.

The credit is limited to $1 M statewide for tax years 2002 and 2003. The General Fund is to be reimbursed for the amount of the credit each year from the Industrial Development Grant Fund and the Environmental Remediation Revolving Loan Fund Sub-account.

Explanation of Local Expenditures: The legislative body of a political subdivision must adopt a resolution approving the credit. Before approving the credit, the legislative body must publish notice of the proposed resolution and public hearing. These provisions will increase expenses to local units; however, local units should be able to absorb any additional expenses given their existing budgets.

Explanation of Local Revenues: *Secondary impact:* Currently, if a property is abandoned and property tax has not been paid, the property goes to tax sale. Normally, if a parcel goes to tax sale and remains unsold, the county auditor would execute a deed to the county. However, the county auditor is not required to execute a deed to the county if the county executive determines that the property involved contains hazardous waste or another environmental hazard for which the cost of abatement or remediation will exceed the fair market value of the property.

Under this bill, if the parcel is sold and remediated, the new owners will begin paying property tax on the property. If the property is developed further, the improvements made will be taxable and would increase the base of assessed value. Added development would create a shift in the property tax burden from other taxpayers to the new owner of the property.

State Agencies Affected: IDEM, IDFA, and the Department of State Revenue.

Local Agencies Affected: Political subdivisions containing brownfields.

Information Sources: